Weekly Economic Review

Energy prices weigh on inflation and sales

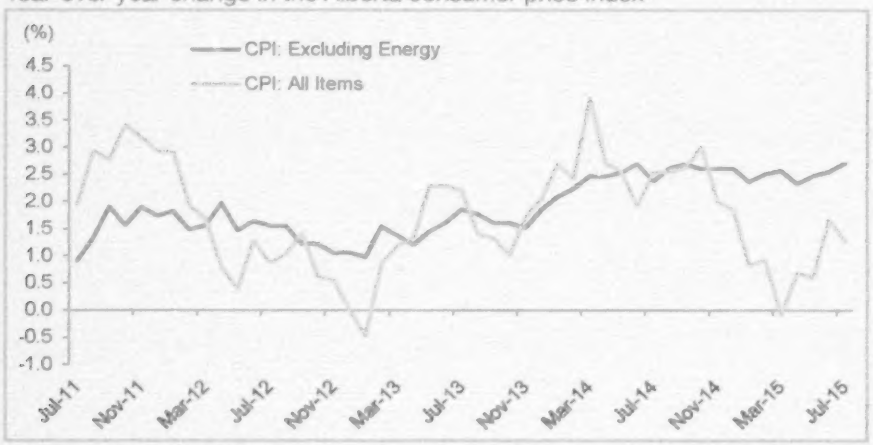
Consumer Price Index

Energy prices continue to pull down inflation

The Alberta Consumer Price Index (CPI) rose 1.3% year-over-year (y/y) in July. Energy prices continue to weigh on overall inflation, but to a decreasing extent. Gasoline price levels have recovered 38% since their low in January. Inflation excluding energy prices was 2.7% (Chart 1), the highest since September 2014.

Chart 1: Excluding energy inflation has accelerated modestly

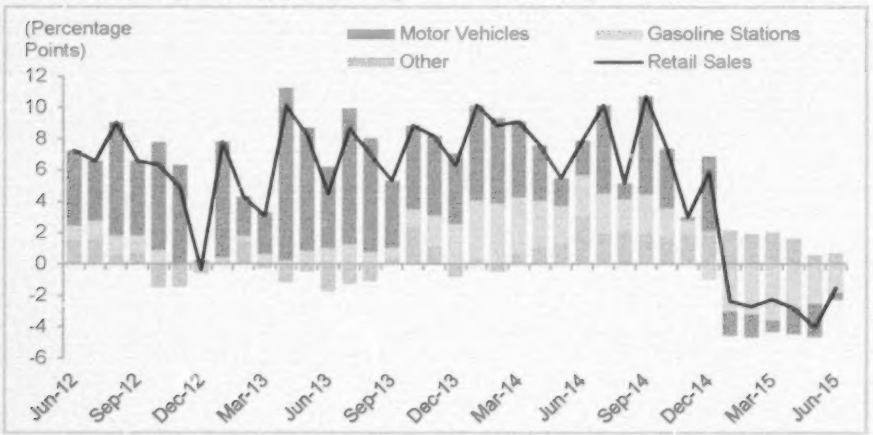
Year-over-year change in the Alberta consumer price index



Source: Statistics Canada

Chart 2: Motor vehicles and gasoline station sales pull down spending

Contribution to year-over-year change in retail sales



Source: Statistics Canada

Food prices and household operations and furnishing prices both contributed to inflation, increasing more than 3.0% y/y. Owned and rented accommodation prices increased by just over 2.0% y/y, down from strong growth in 2014.

Canadian inflation was 1.3% y/y, also pulled down by energy prices. Core inflation, which excludes the eight most volatile CPI components, was 2.4%; core CPI is used by the Bank of Canada to measure underlying inflation.

Retail sales

Alberta sales weak

Alberta's retail sales increased by 0.4% to $6.4 billion in June, but were down 3.7% y/y. This was the largest year-over-year decline since November 2009. Gasoline station sales were down 13% y/y due to lower prices. Sales from motor vehicle and parts dealers declined 5.2% y/y, as sales of new vehicles ave dropped off. Together, these components make up over 40% of total retail sales. Excluding car and gas stations, retail sales increased by 3.4% y/y (Chart 2) due to growth in sales at building material, and garden stores.

Nationally, retail sales increased by 0.6% to $43.2 billion, an increase of 1.4% y/y.

Employment Insurance

Claims and beneficiaries rise

Employment Insurance (EI) claims jumped 1.1% to 28,170 in June (Chart 3), an increase of 8,380 claims from June 2014. Over the first half of 2015, there have been 55,640 more EI claims than the same period in 2014. EI claims continue to push up the number of beneficiaries. The number of regular EI beneficiaries increased by 7.7% to 52,160 in June, the highest level since September 2010. Since June 2014, the

number of EI regular beneficiaries has increased by 22,170 or 74%. The largest increases in EI beneficiaries continue to be in the trades, transport and equipment operators and the natural and applied science occupations.

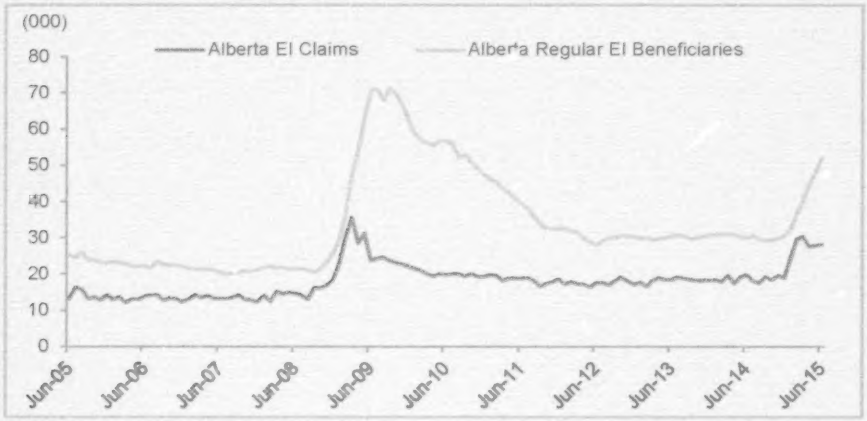
New Motor Vehicle Sales

Sales growth falling

In June, there were 21,116 new vehicles sold across Alberta, almost 4,500 vehicles less compared with the previous June. Sales were down 18% y/y, the largest decline since November 2009. Year-to-date (YTD), sales were down 9.2%. Sales of both cars and trucks were down from June 2014, with the decline in truck sales contributing most (Chart 4). The total dollar value of new vehicles sold was $872 million in June, a decline of 17% y/y.

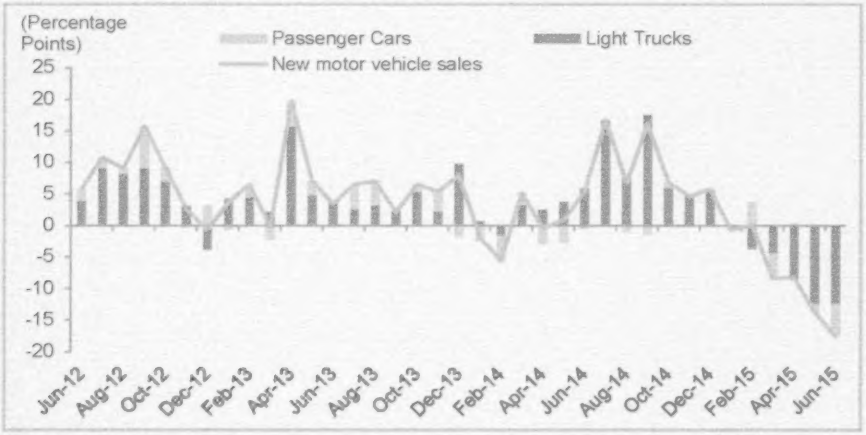
Across Canada, the number of new vehicles sold was 181,685 in June, an increase of 1.2% y/y. Alberta experienced the largest decline among the provinces in new motor vehicle sales.

Chart 3: More Albertans are receiving Employment Insurance (EI)
Alberta EI claims and beneficiaries



Source: Statistics Canada

Chart 4: Auto sales in Alberta continue to fall
Contribution to year-over-year change in new motor vehicle sales



Source: Statistics Canada

Wholesale Trade

Ending the rout

Wholesale trade in Alberta ticked up to $6.7 billion in June, the first increase following six months of declines. Wholesale trade was 5.8% below June 2014. The year-over-year decline was driven by machinery, with sales down 7.9% y/y. Machinery sales of all types were down, led by a 10.7% y/y decline in industrial machinery. There were strong gains in agriculture, with farm products increasing 33% y/y and food products up 3.4% y/y. Despite the year-over-year decline, wholesale trade is up 1.0% YTD.

Tourism

High season has been strong

Alberta entered its high tourist season strongly in June, with the number of tourists visiting the province increasing by 5.3% y/y to 129,008. American tourists increased 6.6% y/y, aided by a cheaper Canadian dollar and a stronger US economy. There were 40,466 international tourists from outside the US, up 2.5% from June 2014. On the flip side, a weaker Canadian dollar has also made international travel more expensive for Albertans, with the number of travellers returning from destinations abroad in June falling by 12% y/y.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.